



FACT SHEET

U.S.-Korea Free Trade Agreement **Texas Farmers Will Benefit**

September 2008

The United States concluded free trade negotiations with Korea on April 1, 2007. The U.S.-Korea Free Trade Agreement (KORUS FTA) is the most commercially significant free trade agreement the United States has negotiated in nearly 20 years.

The KORUS FTA provides immediate elimination of duties on more than 60 percent of current U.S. exports and gives U.S. exporters improved access to the Korean market for many of the products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Texas' agricultural products, including beef, poultry, and dairy. Texas exports to all countries, estimated at \$5.2 billion in 2007, supported about 55,416 jobs, both on and off the farm. These export sales make an important contribution to Texas' farm economy, which had total cash receipts of \$19 billion in 2007.

Beef. The cattle and calf industry is the state's largest agricultural industry with cash receipts of \$7.6 billion or 40 percent of farm earnings in 2007. Texas is the nation's fourth largest exporter of live animals and meat. The cattle industry will benefit from this FTA.

- For beef muscle meats, the FTA provides a 15-year straight-line tariff phase out with a safeguard that begins growing from 270,000 tons, a quantity that is 17 percent larger than our largest historical shipments.
- Technical consultations continue toward the goal of allowing imports to take place consistent with World Organization for Animal Health (OIE) guidelines.
- Following the May 2007 decision by the OIE classifying the United States as a controlled-risk country, Korea has announced that it will undertake in a timely manner its regulatory process toward expansion of market access for beef and beef products.

Poultry Meat. Broilers are the fifth largest source of farm cash receipts with sales of \$1.4 billion in 2007. Texas poultry producers and processors will gain from this agreement.

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7 to 12 years.
- As the number two market for U.S. egg products, Korean tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

Dairy Products. Dairy products are the fourth largest source of farm cash receipts in Texas with \$1.4 billion in 2007. The Texas dairy industry will benefit from the Korea agreement.

- The FTA will provide immediate duty-free access for double the current export volume of total dairy products. Duty-free quotas will be established for cheese, skim/whole milk powder, food whey, and butter.
- Current annual U.S. feed whey exports of \$8 million will gain duty-free access to the Korean market immediately upon implementation.

Cotton. The cotton industry is the state's second largest agricultural industry with cash receipts of \$2.1 billion, or 11 percent of farm earnings, in 2007.

- The FTA will lock in the duty-free access being enjoyed by U.S. cotton exporters. This permanent access allows U.S. cotton exports to continue to compete on a level playing field with Korea's other trading partners.

Fruits, Vegetables, and Products. Fruits and vegetables and related products are an important part of Texas agricultural exports, accounting for an estimated \$123 million in 2007.

- Tariffs on frozen orange juice, asparagus, canned and processed tomatoes, frozen potato fries, and chipping potatoes (during the U.S. potato shipping season) will become duty free immediately.
- Many other products such as avocados, lemons, grapefruit, carrots, lettuce, dried mushrooms, and sweet corn will see duties ranging from 30 to 45 percent eliminated in 2 to 10 years.
- For oranges, the FTA establishes front-loaded seasonal (March-August) tariff cuts that benefit 70 percent of exports through an immediate reduction from 50 to 30 percent and a 7-year phase out. Access for shipments earlier in the year is provided through a duty-free quota.

For questions about the U.S.-Korea Free Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs Office at (202)720-7115 or LPA@fas.usda.gov.

For detailed information on how the Agreement benefits specific commodities, please visit: <http://www.fas.usda.gov/info/factsheets/Korea/us-koreaftafactsheets.asp>.